

Message Text

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AID-05 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01

CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02

OPIC-03 LAB-04 SIL-01 L-03 H-02 PA-01 PRS-01 FEAE-00

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FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC 3986

INFO AMEMBASSY BRASILIA

AMEMBASSY CARACAS

OECD PARIS 335

USUN NEW YORK 463

USMISSION GENEVA

C O N F I D E N T I A L SECTION 1 OF 2 RIO DE JANEIRO 2970

DEPARTMENT PASS ALL CIEC POSTS

FOR ROGERS (E), GREENWALD (EB) AND BAKER (IO) FROM LEWIS AND FRANK

EO 11652: GDS

TAGS: PORG, EGEN, BR

SUBJ: CONSULTATIONS ON NORTH-SOUTH ISSUES (CIEC, UNCTAD, AND IRB)
IN BRASILIA

SUMMARY: THREE DAYS OF CONSULTATIONS BY ASSISTANT SECRETARY LEWIS AND CHARLES FRANK (E) ON NORTH-SOUTH ISSUES, PARTICULARLY CIEC, UNCTAD, AND THE IRB, RESULTED GRADUALLY IN MORE OPENNESS OF BRAZILIAN INTERLOCUTORS. ON CIEC, BRAZILIANS CLEARLY CONCERNED THAT CIEC RESUME MAINLY BECAUSE OF FEAR THAT CIEC FAILURE WOULD PRODUCE CONFRONTATION ATMOSPHERE CONDUCIVE TO OIL-PRICE INCREASES. YET THEY WERE ALSO FEARFUL THAT US NOT WILLING TO MOVE ENOUGH, PARTICULARLY ON DEBT ISSUE, TO MAKE CIEC A REASONABLE SUCCESS.

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BRAZILIAN VIEWS ON COMMON FUND ARE REMARKABLY SIMILAR TO OURS.

ON IRB, THEY REPEATED CONCERNS EXPRESSED EARLIER BUT SHOWED WILLINGNESS TO LISTEN TO OUR PRESENTATIONS AND SOUGHT CONTINUING DIALOGUE ON THIS ISSUE. END SUMMARY.

1. DISCUSSION OF ECONOMIC SUBJECTS AT BRAZILIAN FOREIGN MINISTRY CENTERED ON FUTURE OF CIEC, BRAZILIAN RESERVATIONS ABOUT IRB, AND THE UNCTAD COMMON FUND. IN EACH CASE THE THREE DAYS OF DISCUSSIONS -- PRINCIPALLY WITH ECONOMIC UNDER SECRETARY MELLO AND CHEF DE CABINET SOUTO MAIOR PLUS CABRAL DE MELLO'S DEPUTIES -- PRODUCED A PROGRESSIVE RELAXATION OF THE INITIALLY ALOOF, SKEPTICAL BRAZILIAN ATTITUDE, A WILLINGNESS TO LISTEN TO US ARGUMENTS MORE SYMPATHETICALLY, AND A PROGRESSIVELY GREATER CANDOR AND FRANKNESS ABOUT THE NATURE OF BRAZILIAN MOTIVES AND CONCERNS.

2. CIEC. THE BRAZILIAN SIDE INDICATED THAT THEY EXPECTED NO DIRECT BENEFITS FROM THE RESOLUTION OF THE MAIN ISSUE HOLDING UP THE PROGRESS OF CIEC, DEBT RELIEF, ALTHOUGH THEY EXPRESSED THEIR CONCERN THAT ANY SOLUTION OF THE DEBT PROBLEM NOT IMPAIR THEIR ACCESS TO CAPITAL MARKETS. THEY WERE UNCERTAIN THAT CONCRETE RESULTS COULD BE ACHIEVED IN OTHER AREAS OF CONCERN TO THEM. FOR EXAMHLE, THEY ASKED WHETHER THE US SAW ANY POSSIBILITY OF A MEANINGFUL AGREEMENT ON THE OIL PRICE ISSUE. THEY EXPRESSED A STRONG INTEREST IN CONCRETE PROGRESS ON ENERGY COOPERATION ALTHOUGH THEY CAUTIONED THAT THEY DID NOT NECESSARILY IMPLY SUPPORT FOR US PROPOSALS IN THIS AREA (INTERNATIONAL ENERGY INSTITUTE AND THE INTERNATIONAL RESOURCES BANK).

3. QUITE APART FROM WHATEVER CONCRETE RESULTS THAT CIEC MIGHT PRODUCE, THE BRAZILIANS FELT THAT THE WORK IN THE ENERGY COMMISSION OF CIEC HAS HAD A SIGNIFICANT MODERATING EFFECT ON OPEC PRICING, AND THAT, IF CIEC TURNS OUT TO BE REASONABLY SUCCESSFUL, IT COULD CONTINUE TO HAVE THIS EFFECT DESPITE THE WORLD ECONOMIC RECOVERY. CONVERSELY, THEY WERE CONCERNED THAT A CIEC MINISTERIAL IN DECEMBER DEVOID OF RESULTS OR AN INDEFINITE IMPASSE IN THE CIEC WOULD PRODUCE A HIGHLY CHARGED CONFRONTATIONAL ATMOSPHERE, WHICH WOULD MAKE THEIR POSITION INTERNATIONALLY MORE DIFFICULT AND PRODUCE A CLIMATE IN WHICH OPEC WOULD FIND IT MUCH EASIER TO RAISE PRICES SUBSTANTIALLY.

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4. DESPITE THEIR RATHER CLEAR CONCERN THAT CIEC SUCCEED, THE PROBLEM WAS THAT THEY, LIKE OTHER MEMBERS OF THE G-19, SAW NO EVIDENCE OF MOVEMENT BY THE US AND MOST OF THE OTHER DCS, PARTICULARLY ON THE PROBLEM OF INCREASED NET RESOURCE TRANSFER TO THE MSA AND, IN THIS CONTEXT, THE PROBLEM OF DEBT. THE BRAZILIANS FELT THE G-19 WOULD NEED SOME SIGNAL THAT THE G-8 WERE WILLING TO MOVE PART WAY BEFORE THEY WOULD BE WILLING TO COM-PROMISE ON THE WORDING OF THE WORK PROGRAM. THEY FELT THAT UNLESS

SUCH A SIGNAL WERE FORTHCOMING AT A HIGH LEVEL, WE ALL RISKED A CONFRONTATION AT THE DECEMBER MINISTERIAL BECAUSE IT WAS NOT CLEAR THE LOW-LEVEL, CIEC MEETINGS THEMSELVES COULD PRODUCE ANY MEANINGFUL RESULTS. THEY ALSO SEEMED TO BE CONCERNED, ALTHOUGH THEY WERE NOT AS EXPLICIT AS OTHER COUNTRIES WHICH WE VISITED, ABOUT OUR UPCOMING ELECTION AND THE IMPACT THIS WOULD HAVE ON THE ABILITY OF THE UNITED STATES TO MAKE DECISIONS ON CIEC ISSUES.

5. THEY EMPHASIZED THE DISTASTE OF MOST LDCS FOR THE TRADITIONAL CASE-BY-CASE APPROACH TO EMERGENCY DEBT RELIEF. AS A POSSIBLE APPROACH TO BREAKING THE IMPASSE, WE DISCUSSED A POSSIBLE APPROACH BY THE G-8 UNDER WHICH THE DEVELOPMENT COMMISSION WOULD STUDY THE DEBT STRUCTURE OF THE MSA'S AND WORK UP GUIDELINES, FOR USE IN AID CONSORTIA, ON HOW DONOR/CREDITOR COUNTRIES COULD USE DEBT RESCHEDULING OF BILATERAL ODA, COMPLEMENTARY TO NEW ODA, TO INCREASE NET RESOURCE TRANSFERS TO RECIPIENT COUNTRIES (SEE BRASILIA 6752). THEY STRESSED THE NEED TO FIND AN APPROACH THAT WAS A BIT MORE THAN CASE-BY-CASE AND THE NEED NOT ONLY TO ESTABLISH GUIDELINES FOR CASE-BY-CASE NEGOTIATIONS BUT FOR SOME REPORTING PROCEDURE BACK TO CIEC (OR SOME OTHER MULTILATERAL FORA) ON THE RESULTS OF THE INDIVIDUAL NEGOTIATIONS.

6. THE BRAZILIANS SEEM TO BE MORE INTERESTED THAN OTHERS TO WHOM WE HAVE SPOKEN ON THIS TRIP IN SOME SORT OF CONTINUING, ALBEIT MODIFIED, CIEC MECHANISM. ON SEVERAL OCCASIONS THE BRAZILIANS ASKED ABOUT US VIEWS ON WHAT WOULD COME AFTER THE CIEC, WHAT MECHANISM WOULD BE AVAILABLE TO MAINTAIN THE BENEFITS OBTAINED FROM THE MODERATING INFLUENCE OF THE CIEC DISCUSSIONS, AND WHAT GROUP OR GROUPS WOULD MONITOR IMPLEMENTATION AND REVIEW THE RESULTS OF SUCH SPECIFIC UNDERSTANDINGS AS WOULD EMERGE FROM THE DECEMBER MINISTERIAL.

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7. IRB. ALTHOUGH THEY REPEATED THEIR GENERAL CONCERNS ABOUT THE IRB (SEE BRASILIA 5730, 5731 AND 5734), IT WAS APPARENT THAT THE CENTRAL BRAZILIAN PREOCCUPATION IS COMPETITION FROM INVESTMENTS IN COUNTRIES WITH A LESS FAVORABLE INVESTMENT CLIMATE. THEY ARE ALSO FEARFUL OF IRB STIMULATION OF EXCESS INVESTMENT AND OVERSUPPLY DRIVING DOWN PRICES. FOR THIS REASON, THEY CONSIDER AN OPERATIONALLY MEANINGFUL LINK TO COMMODITY AGREEMENTS -- E.G., FINANCING OF BUFFER STOCKS -- AN ESSENTIAL ELEMENT TO MAKE THE PROPOSAL ACCEPTABLE. THEY WERE CONCERNED THAT THIS LINK, INITIALLY IN SECRETARY KISSINGER'S SPEECH HAD BEEN REMOVED FROM THE CIEC PRESENTATION.

8. WE NOTED THAT THE REFERENCE TO A LINK WITH BUFFER STOCK FINANCING MENTIONED IN THE SECRETARY'S UNCTAD SPEECH, HAD NOT BEEN REPEATED IN THE PRESENTATION TO THE CIEC BECAUSE OF CONCERN AMONG

SOME LDCS THAT THE IRB PROPOSAL WAS DESIGNED TO UNDERMINE THE CONCEPT OF THE COMMON FUND. THE BRAZILIAN SIDE SAID THEY WOULD BE INTERESTED IN RECEIVING THE PROMISED ELABORATION OF THEUS PROPOSAL AND WISHED TO MAINTAIN A CONTINUOUS DIALOGUE WITH THE US ON THE IRB ISSUE.

NOTE BY OC/T: NOT PASSED ALL CIEC POSTS.

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 IO-13 ISO-00 SP-02 USIA-06

AID-05 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01

CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02

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R 051801Z AUG 76

FM AMCONSUL RIO DE JANEIRO

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INFO AMEMBASSY BRASILIA

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9. UNCTAD/COMMON FUND. ON THE COMMON FUND, FOREIGN MINISTRY OFFICIALS WERE NEGATIVE AND SKEPTICAL. BOTH THE FORMULATION AT MANILA AND THE UNCTAD IV RESOLUTIONS HAD BEEN MODERATED AS A RESULT OF LATIN AMERICAN CONCERNS. ON THE OTHER HAND, BRAZIL COULD NOT AFFORD TO GO COUNTER TO THE POLITICAL THRUST OF THE 77 AND WOULD HAVE TO BE IN FAVOR OF THE CENCEPT DESPITE TECHNICAL RESERVATIONS. EXAMINATION OF THE CONCEPT OF AN INTEGRATED COMMODITY PROGRAM AND A COMMON FUND WAS JUST BEGINNING WITHIN THE GOB. THERE WERE CERTAIN COMMODITIES FOR WHICH BRAZIL WOULD BE RELUCTANT TO SEE ANY INTERFERENCE BY AN OUTSIDE AUTHORITY,

AND THE RELATIONSHIP BETWEEN THE COSTS AND BENEFITS OF BRAZILIAN PARTICIPATION WAS NOT AT ALL CLEAR. THE FOREIGN MIN OFFICIALS SAID THEIR BASIC PREOCCUPATION WAS WHETHER OTHER MINISTRIES COULD BE PERSUADED TO GO ALONG. WE NOTED THAT BRAZILIAN VIEWS ON THE MERITS OF THE PROPOSAL SEEMED TO BE SIMILAR TO OURS; WE ARE NOT YET CONVINCED THAT A COMMON FUND MAKES SUCH SENSE ALTHOUGH WE ARE PREPARED TO EXAMINE IT CONSTRUCTIVELY AND PARTICIPATE IN THE

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PREPARATORY MEETINGS.

10. THE BRAZILIANS REPORTED THAT AT THE SRI LANKA MEETING THERE WOULD BE A MOVE BY THE NON-ALIGNED TO SET UP THEIR OWN COMMON FUND OUTSIDE THE UNCTAD FRAMEWORK (TO BE SUPPORTED BY OPEC COUNTRIES OUT OF INCREASED OIL PRICES) IF THE UNCTAD PROPOSAL FAILS TO GAIN SUPPORT OF DEVELOPED COUNTRIES. THEY THOUGHT THIS A HIGHLY UNDESIRABLE DEVELOPMENT SINCE IT WOULD BE UNDULY CONFRONTATIONAL AND IF IMPLEMENTED, WOULD STIMULATE CARTEL-LIKE BEHAVIOR AND PRODUCER ASSOCIATIONS.

11. THROUGHOUT THE TALKS, IN THE ECONOMIC AS WELL AS THE POLITICAL AREA, THE BRAZILIANS STRESSED THAT THEY, LIKE OTHER MODERATE LDCS, CANNOT GO COUNTER TO A 77 CONSENSUS. THEY EXPRESSED THEIR BELIEF THAT THIS DOES NOT MEAN LDC IMMOBILISM. SUFFICIENTLY EXPLICIT AND ATTRACTIVE PROPOSALS FROM THE DCS, OF INTEREST TO A SIGNIFICANT NUMBER OF COUNTRIES WOULD PRODUCE MOVEMENT WITHIN THE 77, GIVEN THE HETEROGENEITY OF THEIR INTERESTS, NOTWITHSTANDING THE ACTIVITIES OF THE MORE RADICAL COUNTRIES WITHIN THE GROUP.

12. COMMENT: ATTITUDES OF BRAZILIAN FOREIGN MINISTRY OFFICIALS SEEMES LESS THIRD WORLD AND IDEOLOGICALLY ORIENTED THAN THEY SEEMED TO BE IN NOVEMBER 1974 WHEN WE VISITED BRASILIA FOR POLICY PLANNING TALKS WITH GOB. MORE EMPHASIS ON BRAZIL'S INTERESTS, RARELY NARROWLY DEFINED, WAS EXPRESSED. THEY SEEMED MORE READY TO IDENTIFY WITH SOME PROBLEMS AND POSITIONS OF THE DEVELOPED COUNTRIES, ESPECIALLY IN DISCUSSIONS ON THE COMMON FUND AND IN COMPLAINT RELATED TO FRANK BY COSTA FRANCO (BRAZILIAN DELEGATE TO CIEC FINANCE COMMISSION). HE HAD BEEN FRUSTRATED BY OECD SECRETARIAT AND US/OECD MISSION'S LACK OF INTEREST IN PROPOSALS HE HAD MADE FOR INCREASED INFORMAL CONTACTS BETWEEN BRAZIL AND OECD ON MATTERS DISCUSSED BY OECD. COSTA FRANCO WAS CAREFUL, HOWEVER, IN CAUTIONING THAT HE DID NOT MEAN TO IMPLY THAT BRAZIL WOULD LIKE TO JOIN OECD, EVEN AS ASSOCIATE MEMBER.

DEXTER

NOTE BY OC/T: NOT PASSED ALL CIEC POSTS.

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